



DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

[Docket Number DARS-2022-0012]

Department of Defense Contract Finance Study

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Request for information.

SUMMARY: The DoD Contract Finance Study is the first comprehensive contract finance study since publication of the Defense Financial and Investment Review in June 1985. DoD is committed to transparency and is interested in obtaining the perspective of companies of all sizes as well as individuals on a number of relevant topics to contribute to this important study.

DATES: Interested parties should submit written comments to the address shown in **ADDRESSES** on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]** to be considered in the Contract Finance Study.

ADDRESSES: Submit comments to the questions provided below, using any of the following methods:

- o *Federal eRulemaking Portal:* <https://www.regulations.gov>. Search for "Docket Number DARS-2022-0012." Select "Comment" and follow the instructions to submit a comment. Please include your name, company name (if any), and "Docket Number DARS-2022-0012" on any attached document(s).

o Email: *osd.pentagon.ousd-a-s.mbx.dpc-pcf@mail.mil*.

Include "DoD Contract Finance Study" in the subject line of the message.

Comments received generally will be posted without change to *https://www.regulations.gov*, including any personal information provided. To confirm receipt of your comment(s), please check *https://www.regulations.gov*, approximately two to three days after submission to verify posting.

FOR FURTHER INFORMATION CONTACT: Ms. Sara Higgins, telephone 703-614-1255.

SUPPLEMENTARY INFORMATION:

A. Background

The Government Accountability Office (GAO) Final Report, GAO-19-406, "CONTRACT FINANCING: DoD Should Comprehensively Assess How Its Policies Affect the Defense Industries," dated June 27, 2019, recommended a comprehensive assessment of the effect that DoD's contract financing and profit policies have on the defense industry. DoD concurred with this recommendation.

The Defense Contract Finance Study is being headed by the Defense Pricing and Contracting's Director of Price, Cost and Finance. The study is comprised of two phases with multiple parts and participants. The first phase includes data collection, research, and analysis focused on areas of study that include the financial health of the Defense Industrial Base, commercial financing trends, the effectiveness of current methods of DoD contract financing, and other aspects of contract

financing. The second phase will commence upon completion of the analysis of inputs from the first phase and may include policy recommendations. Through initiatives such as the Defense Contract Finance study, DoD remains committed to enabling the delivery and sustainment of capability to our Warfighters and maintaining a resilient Defense Industrial Base.

This notice requests comments and information from the public, specifically companies currently in the Defense Industrial Base, to assist DoD with this complex and significant study.

B. Topics

DoD is particularly interested in comments and information with regard to contract finance policies as they affect all levels of the defense sector. Note that for the purpose of understanding financial health over time, the DoD Contract Finance Study is not covering impacts of the coronavirus disease 2019 (COVID-19) pandemic. Therefore, unless specifically asked, responses should **exclude** the period after the presidential declaration of a national emergency concerning the COVID 19 pandemic (March 13, 2020). DoD is seeking input from all business sizes, as identified below, on the following topics:

1. Financial Health

a. What is your view of the financial health of the Defense Industrial Base? Has it improved over the last decade or two? Please provide your reasons and a description of any financial metrics that you think are relevant to answering these questions.

b. How does the Defense Sector compare to relevant commercial sectors when it comes to financial health? Please explain.

c. How important is cash flow and why? In the context of publicly traded companies, how do cash flow-related metrics influence executive compensation?

2. Financing

a. For companies who perform work on DoD contracts as either a prime contractor or subcontractor, what, if any, obstacles have you encountered in obtaining financing? Please explain and also identify whether you are a large or small business.

b. For companies who perform work both for DoD and in the commercial sector, what is your view on how financing compares between DoD and your commercial customers? Please explain. What about delivery terms? For example, DoD's terms to prime contractors are 30 days. How does this compare to commercial terms?

3. Prime Contractors (Regardless of Size Status) on Defense Contracts

a. What is your size status (see Federal Acquisition Regulation (FAR) part 19) in the context of your defense work?

b. What percentage of your suppliers receive contract financing (payments prior to delivery) from your firm?

c. Is the answer different for large business suppliers than for small business suppliers? Does one group receive financing more often than the other?

d. What are your criteria for determining which suppliers receive financing?

e. How do your lower-tier suppliers know they are performing under a Government prime contract?

f. If you have been or are receiving a higher progress payment rate due to the COVID-19 pandemic, have you accelerated payments to your suppliers since the COVID-19 pandemic? If so, by how much time have you accelerated payments to your suppliers? Please be specific. Did you provide financing (predelivery payments) to suppliers that were not receiving financing prior to the COVID-19 pandemic?

g. If you did not receive a higher progress payment rate due to the COVID-19 pandemic, e.g., you do not receive progress payments on your defense contract, did you accelerate payments to your suppliers since the COVID-19 pandemic? If so, by how much time have you accelerated payments to your suppliers? Please be specific and address the extent to which you have accelerated payments. Did you provide financing (predelivery payments) to suppliers that were not receiving financing prior to the COVID-19 pandemic?

4. *Subcontractors or Suppliers (Regardless of Size Status) under a Defense Contract*

a. When you are performing as a subcontractor or supplier under a defense prime contract, how do you know that the ultimate customer is the Federal Government?

b. Do you know the prime contract number (between the prime and the Government)? If so, how? Do you know who the Federal Government contracting officer is, or how to contact them? Would you be willing to contact the contracting officer if you were experiencing issues getting paid?

c. Have financing payments or payments upon delivery from your customer (contractor) been accelerated during the COVID-19 pandemic? What are your normal terms and how much time have payments been accelerated? Did you receive financing (predelivery payments) from your prime or higher-tier contractor that you did not receive prior to the COVID-19 pandemic?

d. Are there any conditions (e.g., changes in terms) associated with receiving payments from your prime or higher-tier contractor in a more expedited manner?

5. *Small Businesses Performing on Defense Contracts*

a. If you are a small business performing as a prime contractor, what is your experience regarding receipt of timely payments from DoD?

b. If you are a small business performing as a supplier or subcontractor, are you aware of whether the clause at Defense Federal Acquisition Regulation Supplement (DFARS) 252.232-7017, Accelerating Payments to Small Business Subcontractors - Prohibition on Fees and Consideration, is in the prime's contract? Is the substance of this clause in your subcontract?

c. What are your normal payment terms (e.g., amount of time) for financing and for delivery?

d. Are you receiving accelerated payments from your prime contractor? By how many days are payments being accelerated?

Authority: DoD Instruction 5000.35, Defense Acquisition Regulations (DAR) System.

Jennifer D. Johnson,

Editor/Publisher,

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